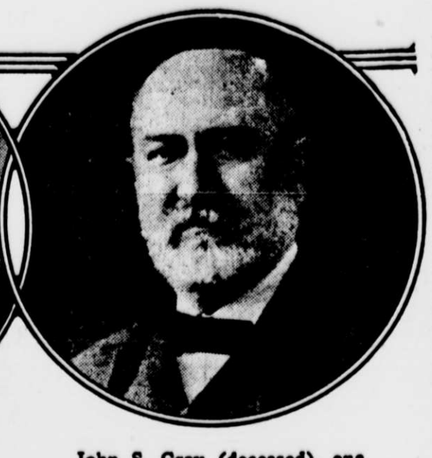
PHENOMENAL PROFITS OF THE EIGHT FORD STOCKHOLDERS

Horace H. Rackham.

John W. Anderson.

Scene in the Ford factory—assembling chassis.

John F. Dodge.



John S. Gray (deceased), one of the original stockholders.

How Their Investments of Hundreds in a Struggling Automobile Company Have Swelled to Millions

THE EIGHT FORD STOCKHOLDERS.

	Original Investment	Cash Dividends.	Stock Dividend.
Henry Ford.....	(*)	$27,250,000	$29,000,000
James Couzens.....	$2,500	5,000,000	5,200,000
John S. Gray estate.	10,000	5,000,000	5,000,000
John F. Dodge.....	5,000	2,250,000	2,600,000
Horace E. Dodge....	5,000	2,250,000	2,600,000
Horace H. Rackham.	5,000	2,250,000	2,600,000
John W. Anderson..	5,000	2,250,000	2,600,000
R. V. Couzens.....	100	47,000	50,000

*Amount of cash invested not stated.

FORMER STOCKHOLDERS

	Invested	Sold for
A. Y. Malcomson.....	$7,000	$175,000
Albert Strelow.....	5,000	25,000

SUCH a vision of wealth as was recently spread before the eyes of the people of Detroit—and the whole world—suggests comparisons with the Arabian Nights rather than the actual happenings of this world. Yet it was the human qualities of determination, perseverance, capacity to realize an opportunity and business ability that brought about the success which had a culmination the other day when the stockholders of the Ford Motor Company voted to increase the capital stock from $2,000,000 to $100,000,000 and at the same time declared a stock dividend of $48,000,000 besides the usual cash dividend.

But who rubbed this wonderful lamp of Aladdin's? Who helped him? The story of the company, commonplace in the beginning, has a flavor of romance.

Dollars have been made to multiply so that hundreds have become thousands and thousands millions. A girl lent her brother $100 and through that loan she has become the possessor of a fortune. This is no typographical error—the original amount invested was one hundred dollars. Truly the jinn have not been idle, but they have been of the entirely human kind. They are Henry Ford and James Couzens—as wonderful in their way as the spirits of Arabia.

In the summer of 1902 Henry Ford formed a copartnership with A. Y. Malcomson, a coal dealer, for the building of a motor vehicle. Prior to that time nine years had elapsed since the present automobile king had first seen and operated a vehicle propelled by gasolene—nine years which gave him experience, but nothing more. The companies in which he was interested as designer and inventor, the Henry Ford Automobile Company and the Detroit Automobile Company, had "curled up and died," but the Ford determination was still alive.

Mr. Malcomson was to pay all the expenses of the new company up to $3,000; but this limit was soon passed and the amount grew to $7,000 before a satisfactory result was achieved. Then an attempt was made to form a company to market Ford's car.

For the next two months many people in Detroit heard opportunity knocking at their door; but only a very few answered. Finally a small number were induced to invest money in the enterprise and on June 15, 1903, the company was formed. Ford and Malcomson turned in their invention and rights for 51 per cent. of the stock.

Nobody who made the financial venture was at all enthusiastic. No extraordinary results were looked for even if the company managed to survive. An investment with the usual return of interest was about all that was hoped for under the best of conditions.

Contracts were made with Dodge Bros. of Detroit, who had operated a general machine shop, for 650 chassis. Both John F. and Horace E. Dodge subscribed for $5,000 of stock in the new company, the money to be paid out of the profits on the 650 chassis. Thus they became two of the present eight shareholders in the Ford Motor Company.

The Dodge brothers were hard workers and fairly well off before the days of the Ford company. They are still hard workers and have built an enormous automobile plant of their own. They have also received $2,250,000 each in dividends and will have $2,600,000 of the new stock.

Theirs has been the greatest proportionate gain of any of those interested in the company, as until recently they did a vast amount of work for the Ford company in their own shops. They are generous and charitable. Yachting is their principal pastime, and their palatial yacht, the Nokomis, is considered the finest on the lakes.

Anderson & Rackham, a firm of young attorneys who were Malcomson's lawyers, drew up the papers when the company was organized. This led to their becoming shareholders. They had decided to put $2,500 each into the venture, but at the last moment they increased the amount to $5,000 each.

Horace H. Rackham, like Mr. Ford, was a farmer's son. He had gone to the city and studied law. His health was not robust and he purchased a few acres of land on the outskirts of the city. Half of this land he sold for more than the original purchase price.

Before the formation of the company Mr. Rackham lived but one house away from Mr. Ford and he could hear the Ford engine sputtering away behind the house at all hours. Although their wives were friends the two men never met until just before the formation of the company.

Through Malcomson, Rackham became interested in the enterprise, and against the advice of banking friends borrowed money on his real estate and invested it in the company. So far he has received $2,250,000 in dividends and will have $2,600,000 of the new stock.

Mr. Rackham lives in a beautiful home, and curiously enough it is but one removed from the house recently vacated by Mr. Ford. He is quiet and unassuming, loves golf and his home and still practises law.

His partner, John W. Anderson, borrowed money from relatives in order to invest in the Ford enterprise.

Horace E. Dodge.

James Couzens, vice-president and treasurer.

Henry Ford.

He has already had $2,250,000 thrust upon him as his share of the dividends and will be compelled to carry away $2,600,000 of the new stock. He lives unostentatiously, loves travel, is a natural humorist and after dinner speaker, and is the only college man in the list of stockholders.

Contrary to current stories these two lawyers did not receive stock in payment for their assistance in the organization of the company. They paid for their stock outright and received a modest sum for their legal services.

John S. Gray, who is now dead, was a conservative business man and a banker. He was induced to take $10,000 worth of stock and the presidency of the company. Mr. Gray was sceptical about the success of the enterprise and only advanced the $10,000 after Mr. Malcomson had guaranteed him against loss. Now his heirs are reaping a golden harvest from an investment on which not even a chance was taken.

Mr. Gray was comfortably well to do before his fortunate investment. Any one could have bought his stock at a reasonable price in the early days of the company's life, but he invariably told prospective purchasers that he couldn't advise them to take it as he didn't think the business would last. He lived long enough, however, to see its great success and his faith in its two chief workers grew to be unbounded. The Gray estate is now represented on the board of directors by David Gray, a son of the late John S. Gray.

The Gray estate has received $5,000,000 in dividends and will have to take care of $5,000,000 of the new stock. David Gray is a bank president and has helped to organize the new Detroit Athletic Club. He lives in a beautiful home in Grosse Pointe, a fashionable suburb on Lake St. Clair, and is fond of home and society.

James Couzens, vice-president and treasurer of the company, was getting a salary of $1,800 a year as a clerk when the company started business. He was employed by Mr. Malcomson and lived in a house for which he paid $21 rent per month. Being a mighty good clerk he had succeeded in saving $400, and as the year had been a successful one his employer presented him with $500. That made $900 which he had available when the chance came to buy Ford stock. He then borrowed $100 from his sister and put the $1,000, together with his note for $1,500, into the company, of which he was made secretary and business manager.

Mr. Ford was made vice-president and general manager of the company It was the combination of Mr. Ford's determination and inventive genius and the no less remarkable talent of Mr. Couzens for business detail and policy that made the difference between ordinary and amazing success.

"I remember riding up the street with Henry Ford in that car of his," said Mr. Couzens, "and talking over what salaries we were to ask for. We decided that he should get $3,000 a year and I $2,500, and these amounts were voted us by the directors. I started out with a one armed stenographer and finally got a bookkeeper. I wrote the first annual statement for the directors' meeting out in long hand with an indelible pencil.

"In October, 1908, when the company was five months old, we paid a 2 per cent. dividend; in November, 10 per cent.; in January, 1904, 20 per cent., and in June, 68 per cent., so that at the end of our first year the stockholders had received back every dollar they had invested. From that time Mr. Ford and I declared our independence."

Mr. Couzens has received about $5,000,000 in cash dividends, and under the new capitalization recently announced will have $5,200,000 of stock. He is absolutely unspoiled by his success, is approachable, genuine, direct, big hearted and a splendid citizen. His farms in Oakland county, near Detroit, are among the finest in the West and the costly barns house large herds of Holstein thoroughbreds. Farming, horseback riding and golf are his chief diversions from business.

Mr. Couzens's sister, who is now married and lives in an Indiana city, received stock from her brother representing the amount of money he had borrowed. From that $100 which she lent him she has received $47,000 in dividends, and owns $50,000 of the company's stock.

Mr. Malcomson sold his stock to Mr. Ford in 1906, being paid therefor $175,000. It is a well known fact that in the early days of the company the team work done by these two men was far from satisfactory to either. It was a case of a house divided against itself and both men knew that the house could not stand.

Finally Ford and Couzens suggested the purchase of the Malcomson stock. Mr. Malcomson was willing to withdraw from the organization and offered to sell his interest for what looked then like an enormous sum—$175,000. His terms were $75,000 in a note, and the balance in cash.

Then Messrs. Ford and Couzens started a hunt for the money. One Detroit banking firm was approached. The partners said "they would see what could be done." They apparently are still looking, for that was the last heard from them.

The next effort was successful, however, and with Ford and Couzens indorsing each other's notes, a loan was secured. Ten thousand dollars was paid on these notes at the end of the fourth month, and the balance when due. The purchase of this stock gave Mr. Ford his first control of the company.

Mr. Ford lived in a modest, cosey house at the time the company was formed and $10,000 would probably have covered the value of his worldly belongings. He has received in dividends approximately $27,250,000 and will have $29,000,000 of the new stock.

His delight is to help his fellow men, in whom he has the utmost faith, and he gives his money freely in his own way to this end. He is just as democratic and wholesouled as when he drew a modest salary from the Edison Electric Company of Detroit.

Mr. Ford has recently moved from a fine city house in Detroit to one on the old farm where he was born, ten miles from Detroit. He has added to the land until he has upward of 3,000 acres, and has built a house costing upward of $800,000. He loves nature and is accustomed to walk bareheaded through the fields and woods, watching the rabbits and squirrels and birds, of which he is especially fond. He loves music and has installed a wonderful pipe organ in his new home.

There were others who purchased small amounts of Ford stock in the early days, and all received several times the amount they paid for it. Albert Strelow, one of them, became interested in a gold mine in British Columbia. After the Ford company had been running a short time he needed money to develop his mine and sold his stock to Mr. Couzens for $25,000—five times what he paid for it. This money he lost in his mine, and two weeks ago was back at the Ford plant looking for work.

With the authorized capital stock of the company now at $100,000,000, the aggregate is greater than that of five of the principal railroads entering Detroit—the Michigan Central, Pere Marquette, Detroit, Toledo and Ironton, Detroit and Mackinac, and Detroit, Grand Haven and Milwaukee, whose combined capital stock amounts to but $76,738,000.

The saying that "all weath is created by labor" has just enough truth to be glittering. If Henry Ford had never lived all the labor expended in the Ford factories would have been done somewhere on the two hemispheres and would have been applied to some kind of occupation, but it would not have accumulated these millions of money and property. Something more than mere toil is wanted in the accumulation of capital, the ingredients being the fertile mind to invent and the executive genius to direct. And thirteen years ago not a dollar of this wealth existed—only an idea.

Henry Ford and James Couzens the Aladdins Who Showered Gold on the Few Who Had Faith in Them

THE IMPORTANT PART IN MODERN DIPLOMACY PLAYED BY THE CABLES

ONE of the high officials of the Department of State in Washington was asked for a definition of the word "diplomacy." It was just after the Lusitania note had been sent. The official hesitated a moment. Then he said:

"There was one Secretary who favored the idea that diplomacy is the art of keeping cool. That idea is true enough, but it doesn't cover sufficient territory. Diplomacy, I should say, is the art of getting a good cable."

If you separate yourself from the atmosphere of the second floor of the department, where the Secretary of State has his office and where the diplomats themselves come flocking every day, and descend to the first floor, where the big intelligence office of the Department is located, you will see why diplomacy in this day and generation depends on a cable that works well.

In other words, no office of foreign affairs of any Government can be much better than its system of transmitting intelligence. Before the day of the undersea cables there was not a great deal of merit to the intelligence system of any foreign office; and while the cable raised the efficiency of such systems to an enormous degree it was the European war that actually put such establishments to their first real test and taught officials—particularly State Department officials—that a poorly working cable or telegraph line can come very near to defeating the ends of real diplomacy.

There are four methods of diplomatic and consular communication employed in the big intelligence system which centres on the first floor of the State, War and Navy Department Building in Washington. Telegraph and cable nearly always are used jointly in the transmission of a message abroad, or when cables will not work properly, owing to too rigid censorship somewhere, the wireless is sometimes called into play. After all it is the mail which carries the bulk of state intelligence, and while this method is slow there is less worry attached to its operation.

The European war is causing the United States Government a tremendous outlay in the way of message transmission, and it was estimated by an official recently that the normal cable bill of the State Department was some $15,000 a month. That sum, however, applied solely to rates during times of peace. It doesn't cover the bill since the European war started.

"What will the Department's cable bills average per month since the war started?" this official was asked.

"It would be hard to tell," he replied. "They have been enormous. I heard, however, that we spent very nearly as much during the first three months of the war as we spend in two years of ordinary conditions."

And it costs $15,000 a month—or about $175,000 a year—in peace times! And that is only for cable tolls. What then, you ask, does the Department in the ordinary course of business spend for postage stamps? That is a question which no one cares to answer. It would pay a lot of salaries—that much is certain.

Here is another instance of the way the Department spends money to get messages to its Ministers and Ambassadors abroad:

At the outbreak of the war last August the Department of State was called upon to relieve a great number of stranded Americans abroad who had lost their money and possessions in the rush for ocean ports when the war rolled upon them. Friends in the United States began pouring money in upon the Department to be transmitted to relatives abroad; and before this money could be paid by a State Department representative abroad a brief description of the payee had to be cabled.

In one running message of this kind the State Department cabled 20,000 words, which filled eighty-eight typewritten pages and were paid for at the rate of 12 cents a word, thus costing very close to $2,500. It seems prodigal, but Governments cannot hold back for expenses in times of stress.

All this, however, is nothing but the cable feature of the big intelligence system. There are about 580 embassies, legations, consulates and consular agencies which must report to the Department at varying intervals, ranging from once a day to once every two weeks. These branch offices of the Department are scattered from China to Chile.

The centre—the brain of the system—is at Washington. One man and his assistants preside over this nerve centre. He is Dr. John R. Buck, chief of the index bureau of the State Department. The title, however, does not half way describe the job.

Dr. Buck is the boss of the Department's intelligence system, but his work is so closely allied with the efforts of Department officials that he alone would be powerless to run the system. His function is simply to supervise the Department's vast network of mail routes, telegraph and cable lines that spreads around the world.

In the larger sense Dr. Buck and his intelligence system care for the product of the Department's note writers, and the note writers have been very busy folks since last August. He must also care for the miscellaneous output of the diplomatic and consular service, which means not alone the messages or orders to agents abroad but also the responses from those same agents which are constantly pouring in. In other words, Dr. Buck has the job of moving this mass of correspondence, and so far he has moved it as well as the cables would permit.

For the most part the cable gets the Department's closest attention. The cable carries the major portion of all important diplomatic correspondence and a great deal of "rush" consular material, such as the reams of orders that passed between Consul Frost at Queenstown and the Department when the Lusitania was sunk.

On the other hand, no Government, regardless of the sum it pays for its cable tolls or postage stamps, can expect to bring its intelligence system to the highest possible status if it permits its facilities for secrecy to degenerate. There must be a code which is a model of secrecy and which would defy detection under any and all circumstances. A code is built on the theory that it must defy detection even should a copy of the code message fall into improper hands and a possible spy be given a chance to study it.

Code systems, despite the fact that every effort is made to bring them to the highest point of secrecy and intricacy, are like last year's hat. They go out of style. Since 1876 the State Department has had three separate codes, and the very latest—the green code—is guarded so closely that it is kept locked in a safe day and night and taken out only when actually needed for use.

Photo by Clinedinst.

Dr. John R. Buck, head of the Government Intelligence Department.

This latest document is the invention of Dr. Buck, head of the index bureau, and represents the most intricate and abstruse combination of figures it is possible to obtain for cable use.

Back in 1876 the State Department invented what was called the red code. It was the work of John H. Haswell, the then chief of the index bureau, and at the time it was invented it was considered a marvel of mystery. This code was in use for the most confidential matters until 1899, when the Department was led to believe that through years of use its secret had been deciphered by certain foreign Governments, so Haswell set himself to the task of revising the red code into another and more intricate system, which he called the blue code.

From 1899 up to within a few years ago the blue code was the one used for matters of the utmost importance and secrecy, while the red code continued to be used for matters of secondary importance. But about two years ago it was decided that the blue code, like the red, was outliving its usefulness, and then Dr. Buck brought out the green code, into which not more than a dozen officials at the State Department, outside of the embassy staffs, have even peeped.

It is a generally recognized fact that practically all Government codes are based upon some document and a group of figures is used to represent the page and line of the word indicated. For instance, a code book page has, say, twenty-five numbered words in a column straight down the page. Suppose, for instance, that on page 45, in line 12, there appears the word "note." There is a code equivalent for that word "note" which may be "cat."

If the matter is important the cable will not use the word "cat" to indicate "note." It will make its code even more abstruse by sending the group of figures "4512," which means that on page 45, first line, second word, is the word "note."

It is perfectly easy, however, to make an arrangement, say with the American Ambassador at London, to reverse the figures in a certain code message. Instead of reading "4512" the group of figures in the cable would read "2154," although by means of the previous agreement the word indicated would be the same.

An official said the other day that by previous arrangement with the recipient of the coded cablegram there was practically no limit to the cryptic and abstruse code combinations it is possible to arrange by means of the systems already in use.

Naturally the green code is used as little as possible. It is the one best bet in codes, and the Department doesn't want it to get before the spy departments of other countries any oftener than is possible. So it isn't used freely.

However, suppose the ruler of some foreign country has acted slightingly toward an American Ambassador accredited to his country. This slight would in all probability be administered in private, and the Ambassador and the Department of State would want the news of the occurrence to be kept very private and confidential until they could at least act upon the matter. Out would come the new green code and a message would be put in cipher.

If, however, the State Department wished to inform the Ambassador, say in London, that the actions of a certain American official abroad were not meeting with the approval of the Secretary of State it is altogether probable that either the blue or the red code would serve the purpose.

All code messages or cable messages of any kind are addressed to "Secstate, Washington," the Department's cable address, and are signed simply with the last name of the Ambassador or other diplomatic or consular agent sending the message.

The work of decoding or coding cable messages is in itself a big task. The ordinary work of this kind is left to the confidential clerks in the index bureau, under the supervision of Dr. Buck, but when there comes a communication of the utmost importance or when a communication of a strictly important and confidential nature needs to be put in code it is usually Ben G. Davis, chief clerk of the Department of State, who does the work.

It is not uncommon, however, to send a cable message "plain"—that is, without putting it into code. Such things as political and diplomatic conditions, however, are entirely confidential.

Next in importance to communication by cable is the mail system of the Department. This system pertains more particularly to the consular service, the activities of which are not so closely connected with confidential matters. The relief of destitute Americans abroad, the settlement of American estates abroad, the certification of ship cargoes and the like are all matters which can be handled in the mails.

With a few exceptions, such as Cairo, Egypt, and other points, the mail comes in special Department of State leather pouches, sealed in the foreign country and not opened until they reach Washington.

There is a generally understood arrangement between all countries in time of peace to take exceptional care of one another's diplomatic and consular mail, and while it goes through the regular machinery of foreign and interocean postal services there is undoubtedly special care exercised to prevent such mail coming to harm.

In most countries the mail of the various consulates and consular agencies is first forwarded to the embassy or legation of the United States in the capital of the country. Here the mail from all consuls is gathered together, placed in a pouch with the embassy mail and sent to the United States without further delay.

The entrance of Italy into the European war has rather tangled the cable situation for the State Department. Our note to Germany on the Lusitania and kindred matters were sent via Rome and telegraphed to Berlin, but since Italy has entered the war cables to Berlin of an important nature must be sent by wireless or by cable through Copenhagen.

Both London and Paris have direct cables, and in almost any event these two capitals will subject the Department to the least trouble in communicating with their Ambassadors. Petrograd, however, often presents a situation of much difficulty, as the telegraph system between Copenhagen and Petrograd has a habit of failing at important times.